

ACIT's Trade Report 2007

SPECIAL EDITION

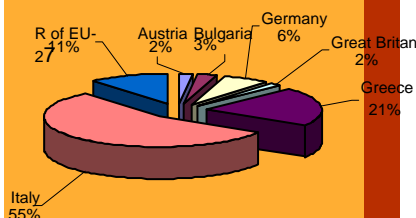
FEBRUARY 27, 2008

TRADE WITH EU

Trade flows between Albania and the EU-27 amounted to 3,536.9 mln USD (2,573.7 mln EUR), being increased by 35.5 percent as compared to 2006.

As expressed in euro the growth is 24.02 percent. The share of trade flows with the EU-27 to the Albania's total trade flows declined again in 2007 to 67 percent from 68 percent in 2006. Such a tendency is observed only in exports to the EU-27, which accounted for 83 percent of total exports as compared with 88 percent in 2006. With regard to imports, their share has increased slightly, from 62.7 percent to 62.8 percent. The values would have declined further without the inclusion of the two new EU members, Bulgaria and Rumania.

Share of EU member states to the total Albania-EU-27 trade volume, 2007



Report's Contents:

Chapter I: a quick look on the world economy's main indicators focused on the trade developments, and the Albanian macro-trade developments.

Chapter II: the main characteristics of Albania's trade structure in 2007.

Chapter III: a brief assessment of trade patterns in selected sectors: inward processing, agriculture, energy, minerals, and main metals.

Chapter IV: the main characteristics of Albania's trade geography: partners, dynamics, and patterns of bilateral trade

Chapter V: an overview on trade-related institutional developments during 2007: the multilateral and regional trade integration of Albania and enacted trade related legislation.

An important tool to all stakeholders

This is the sixth consecutive annual report, since ACIT was established in 2002. Committed work and the accumulated experience enabled us to bring forth a comprehensive publication, regarding both, the scope of the coverage and the structure and the quality of the analysis. Indeed it represents the quintessence of a professional work, performed throughout the year, by ACIT's team and associated experts.

Further than a valuable source of data on flows and dynamics of the Albanian foreign trade, the document constitutes a devoted effort for assessing the results, identifying factors and problems behind, and pointing out some key policy issues.

Apart from detailed data compiled in its six annexes, the report contains

five systematic sections, as described on the left.

Important changes in commodity structure and geographical distribution of trade flows have also been highlighted. We see for instance, that exports of inward processing industry in footwear and textiles are losing weight, while trade expansion to the region is much faster than the average rate.



The analysis stands on a regional and global context, and refers to the most up to date international trade agendas,

especially the progress of the WTO - Doha agenda and the European and regional trade openness developments, as well. Their impact and interaction with domestic factors and Albanian integration commitments completes the picture.

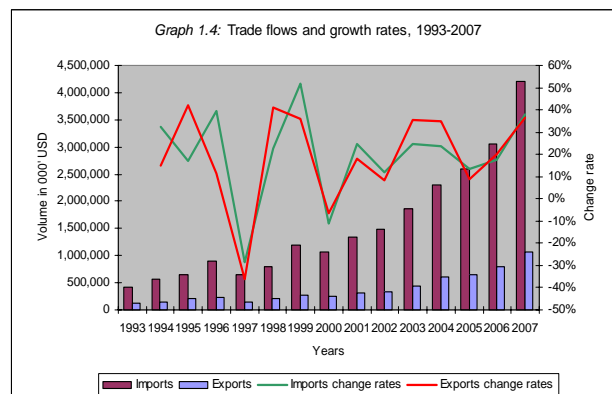
The Trade Report 2007 is being published both in Albanian and English language, and can be downloaded from ACIT main page (www.acit-al.org). A printed version will also be available very soon.

As we record the trade performance for 2007, we remain mindful that, in designing the right trade policy of the future, transparency, engagement, discussion, research and analysis must be part of the process.

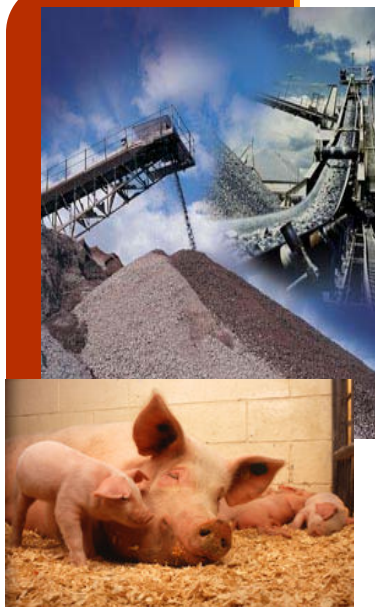
Comments and suggestions on this edition will be highly appreciated.

Albanian trade performance 2007

Albania's trade volume in 2007 amounted to 5,281 mln USD (3,842 mln EUR), marking an impressive increase of 37.5%. Exports increased by 36% as compared to 2006, whereas imports show a slightly higher rate, 38.2%. Expressed in local currency (ALL) these figures are about 10-11 percentage points lower. There is a clear progress with the trade openness index (48.5%), which still remains the lowest in the region. The commodity imports are 3.9 times higher than exports. The trade deficit ratio to GDP worsened by 4 percentage points in 2007, while the import coverage by exports, remains low (25.7%), almost unchanged to the previous year.



Some structural changes



Albania's trade structure in 2007 presents some differences in terms of overall volumes and shares, and also the volumes and shares of specific sectors, as compared to 2006. While total exports increased by 36 percent as valued in USD (but only 25.5 percent as valued in ALL and 25 percent as valued in EUR), imports increased by 38.2 percent as valued in USD (but only 26.5 percent as valued in ALL, as shown in table 2.1, and 26 percent as valued in EUR). As a result, the share of imports in the total trade flows was

slightly expanded as compared to 2006, reaching 79.6%.

Some changes are also evident referring to sectors. Although the ranking of the sectors remains the same, the growth rate is different. Thus, product-groups as textile and footwear even though remaining in the main categories, as shown in table 2.1, show lower growth rate as compared to other sectors such as minerals, etc.

Mineral products and base metals' exports were growing very fast during 2007. The

increase of local supply capacities in the oil sector, as well as steel and chromium production by foreign investments has supported such a growth. Mineral products exports increased four times faster than total exports, and valued at 166 mln USD by end 2007. Exports of oil and oil products derived from bituminous minerals, chromium minerals, copper and steel were the products that mostly contributed to exports increment

"a universal, rule-based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, can substantially stimulate development worldwide, benefiting countries at all stages of development"
-from the Declaration of the UN World Summit, September 2005

Agribusiness sector— encouraging results

Exports of vegetable products and prepared food, beverages and tobacco products, also show positive results. Their share in total exports has not changed much from the previous years, but the growth rate kept following the general export rhythm – vegetable products grew by 28 percent in 2007, while prepared food and beverages growth rate was 18 percent.



Traditional exported products that have been contributing in the sector export performance are prepared and preserved anchovies and salmons, medical plants, waters, beer and olives. Chemical industrial products and alloys exports experienced a high growth rate reaching 77 percent as compared to 2006.

Trade flows forecast for 2008



Trade flow are expected to increase by a rate of 16% and to amount at USD 6,149.30 Mln as compared to 2007, as described in table B5.1. Forecasted exports at a value of USD 1,311.87 Mln by end of 2008 are expected

to cover only 27% of imports, while being characterized by a higher average increment rate than imports. Imports are expected to expand at an average rate of 15%, and reach a value of USD 4,837.43 Mln. Highest exports flows are expected during the third quarter 2008, while for im-

ports the same variation as 2007 is mirrored. Foreign trade developments are, in general, expected to be quite of a positive nature, mainly driven by demand development and of course by improved supply side through investments and facilities introduced by trade liberalization processes.

Trade in energy sector

The energy sector represented one of the most sensitive sectors concerning trade flows in 2007. Both, oil products and electricity, experienced very high growth rates as compared to 2006.

Imports value of electricity in 2007 were 547 percent higher than the previous year, having amounted to 248 mln USD. The share of electrical energy imports to the total imports was 5.9 percent in 2007, while in 2006 it was 1.3 percent.

September and November were the months of import "pics".

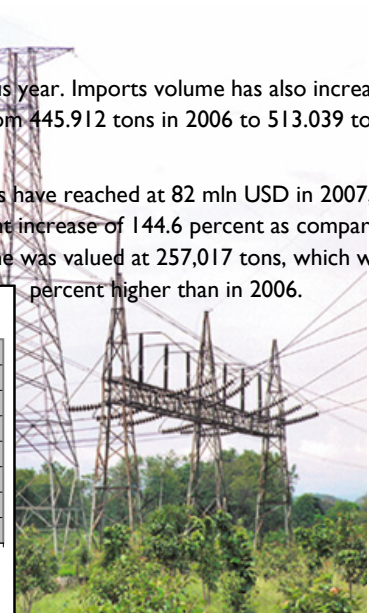
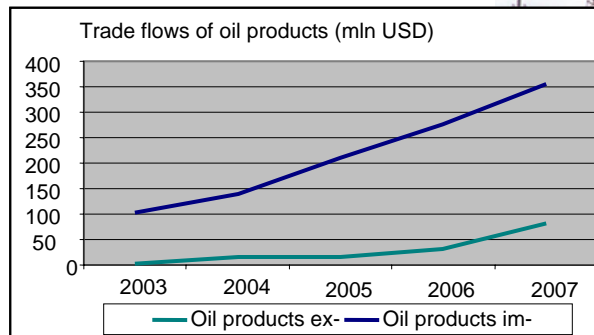
Switzerland is the largest supplier of

our imported energy with 64.9%, followed by Serbia with 24.4% of our imports.

In 2007 oil products imports were valued 356 mln USD, showing an increase of 29.2 percent as com-

pared to the previous year. Imports volume has also increased by 15 percent, going from 445.912 tons in 2006 to 513.039 tons in 2007.

Oil products exports have reached at 82 mln USD in 2007, showing an important increase of 144.6 percent as compared to 2006. Exports volume was valued at 257,017 tons, which was 91 percent higher than in 2006.



Inward processing sectors

As in previous years, inward processing (IP) exports were an important part of the total exports in 2007. They reached at 714.2 mln USD, showing an increase of 28.8 percent as compared to 2006, in which year inward processing exports were valued at 554.5 mln USD. Exports in the inward processing trade account for 66.3 percent of the total exports, as compared to 70 percent in the previous year. Such a decrease can partly be explained by the increase of direct exports in these industries. Imports related to this sector reached at 555.7 mln USD in 2007, having increased by 21.3 percent as compared to 2006. The value added in

the sector was 158.5 mln USD as compared to 96.3 mln USD in 2006, having increased by 64.5 percent.

Sectors that have the main share in inward processing exports are: textiles with 40.9 percent (291.7 mln USD and 32.3 percent higher than 2006) and footwear with 32.3 percent (226.6 mln USD and 11.2 percent higher than 2006). Another sector that is increasing its presence is base metals with 12.3 percent of share on total inward processing exports (87.9 mln USD and 84.5 percent higher as compared to 2006)

Cereals and flour

Imports of cereal have reached 109.4 mln USD in 2007, an amount which is 51.5 percent higher as compared to 2006. This value increase is mainly explained with the price increase, because imports volume has slightly decreased as compared to 2006; 0.3 percent lower. In the case of wheat, this fact is even more visible. Its imports value has increased by 90 percent, reaching 73.8 mln USD in 2007 out of 38.7 mln USD in 2006. Meanwhile, its imports volume has experienced an increase of only 16 percent - 282,293 tons in 2007 as compared to 244,092 tons in 2006.

Important changes were also observed regarding the geographical distribution. In 2007 almost 55 percent of the total cereals

imports, with a value of 60 mln USD, came from Russia. The other countries of cereal import origin are Egypt, Serbia and Montenegro, and Ukraine. Cereal imports from Russia have experienced an increase of 94 percent as compared to 2006.

Imports of flour have experienced an increase of 58.8 percent of its value which amounted to 11 mln USD. However, the growth rate in real terms (physical volume) is only 5.5 percent (to 36.474 tons). Most of flour imports comes from Turkey (40 percent), Italy (15 percent), and Kosova (15 percent).

Exports of cereals and flour have increased quite slightly as compared to imports increase. Cereal exports reached 0.24 mln



USD in 2007, while it was 0.01 mln USD in 2006. The same happened with flour. Its exports were valued 0.43 mln USD in 2007, while being 0.02 mln USD in 2006. Kosova was the main destination country for both cereals and flour, reaching at 0.23 mln USD and 0.43 mln USD, respectively



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ACIT – The Albanian Center for International Trade, as a joint program of the USAID (US Agency for International Development) and ISB (Institute for Contemporary Studies – an Albanian NGO), was launched in 2003. Its main goal is the improvement of trade policies in Albania, as an important instrument for the economic growth and development, as well as the increase in the benefits of the public and citizens from the opportunities created by the trade liberalization and integration.

To accomplish this mission, ACIT has developed an ambitious program based on five main pillars, as following:

research center on international trade and trade policies.

dialogue forum among various stakeholders and interest groups, promoting an informed public debate, aiming at the improvement of trade policy formulation and implementation

resource center, providing direct access to accurate information on international trade of Albania and other countries,

capacity building center in international trade policies.

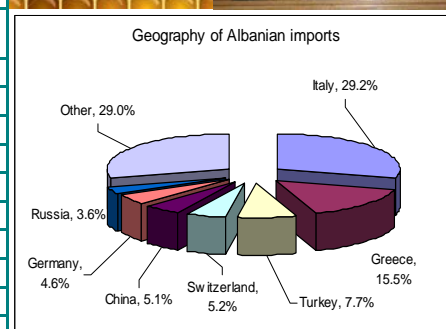
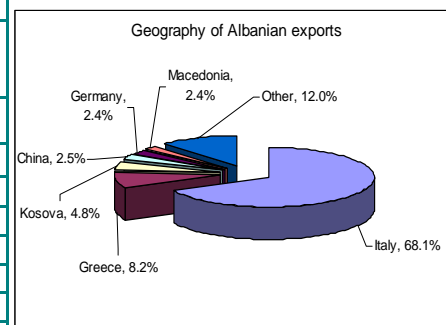
promotion center for the competitiveness of the Albanian economy and selected products.

Since more than five years, ACIT is providing an important service, particularly as a center of trade information and professional research in the area of trade policy. Starting from the last three years, most of our services are available on-line through ACIT web sites www.acit-al.org, www.ftdb.acit-al.info, www.footwear.acit-al.info. While the page www.albamis.com is expected to be re-launched soon.

The ultimate goal of ACIT work is the improvement of the competitiveness and performance of the Albanian economy, exports, investments, employment and welfare.

The geography of Albanian Trade Flows 2007

	Exports			Imports		
	Value (Mln. USD)	Share to total (%)	Growth rate 2007/2006 (%)	Import value (Mln. USD)	Share to total (%)	Growth rate 2007/2006 (%)
EU-27 (EU 25)	894.8	83% (88%)¹	28%	2642.02	62.8% (62.7%)¹	38.0%
Italy	733.4	68.0% (73%)	28.0%	1225.9	29.0% (29%)	39.0%
Greece	88.7	8.0% (10%)	18.0%	652.9	15.0% (17%)	28.0%
Germany	26.3	2.0% (3%)	5.0%	191.3	5.0% (5%)	35.0%
Sweden	17.1	2.0% (1%)	154.0%	10.1	0.0% (0%)	-22.0%
France	6.7	1.0% (1%)	22.0%	36.2	1.0% (1%)	34.0%
Bulgaria	7.6	1.0% (0%)	131.0%	87.1	2.0% (3%)	-13.0%
Other EU countries	15	1.0% (1%)	52.0%	438.2	11.0% (9%)	30.0%
Countries of the region**	107.8	10.0% (8%)	68.4%	333.1	8.0% (10.3%)	5.4%
Kosova (UNMIK)	51.5	5.0% (4%)	71.0%	30.8	1.0% (1%)	72.0%
Macedonia	25.3	2.5% (2%)	101.0%	99.9	2.0% (2%)	59.0%
Serbia, and Montenegro*	25.7	2.5% (1%)	138.0%	143.8	3.0% (1%)	332.0%
Bosnia and Herzegovina	4.2	0.0% (1%)	-2.0%	13.4	0.0% (0%)	46.0%
Croatia	1.1	0.0% (0%)	-55.0%	42	2.0% (1%)	18.0%
Moldova	0	0.0% (0%)	-	3.1	0.0% (0%)	-39.0%
Other countries						
Turkey	23.6	2.2% (1%)	137.0%	323	8.0% (8%)	33.0%
China	27.3	3.0% (1%)	199.0%	216	5.0% (5%)	53.0%
US	7.1	1.0% (0%)	108.0%	33.2	1.0% (2%)	29.0%
RoW	16.4	1.0% (1%)	118.0%	655.8	15.0% (13%)	21.0%
Total Flows	1077.4		36.0%	4203.4		37.8%



¹Figures in brackets refer to the year 2006

*For comparison purposes, the data from these two countries are consolidated for the whole year 2007. Separate statistics are delivered only starting from 1.10.2007.

**Figures in the table consider Bulgaria and Romania as part of the region in 2006 but not in 2007 when these two countries joined the EU. If these countries would be considered as part of the region even in 2007, the growth rates for exports and imports would be respectively 85 percent and 42 percent.